

NHID E-NEWS

Issue 6
July 2005

COMMENTS FROM THE COMMISSIONER'S OFFICE

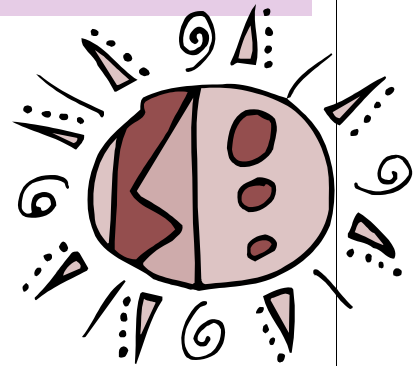
REFUNDS, REFUNDS, REFUNDS

New Hampshire consumers have been receiving good news in the mail recently in the form of unexpected insurance premium refunds. These refunds in workers' compensation, health insurance, and credit life and disability insurance have been brought about through various monitoring, examination and investigation efforts of the Department.

Thousands of New Hampshire policyholders are seeing reductions in their 2003, 2004 and 2005 workers' compensation insurance premiums as a result of rate adjustments ordered by the Commissioner. The Department found that payroll information used in calculating rates had been underreported for a number of employer class codes. The problem was uncovered during a focused Insurance Department review of rates applicable to classifications specific to the logging industry. Shortly thereafter, similar errors were discovered in other classification codes. The Department ordered that NCCI conduct further review to correct those errors, ultimately resulting in a reduction in loss costs and rates.

Earlier this year, group health insurance purchasers realized premium refunds when it was found that Cigna failed to apply the statutory cap to premium increases required by 2004 Senate Bill 110. Cigna cooperated in the Department's investigation, and has fully refunded or credited the amount of the overcharges to 280 groups.

The Department has been working with several insurance carriers and NH banks to ensure refunds to New Hampshire consumers of approximately \$650,000 in credit life and credit disability insurance premiums. Cont.



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COMMISSIONER'S COMMENTS CONT.

These premium refunds became due to consumers who financed credit life and disability insurance in connection with an automobile loan, and then paid off the loan prior to maturity. The Department has actively assisted borrowers at Laconia Savings Bank, Berlin City Bank and Pemigewasset National Bank. Most of those affected have already received their refunds. We are pleased that we have been able to assist consumers in obtaining these refunds, and are pleased to report that the carriers involved have been cooperative and responsive.

Finally, New Hampshire consumers will share in a \$190 million nationwide settlement reached with AON Corporation. AON will make refunds to clients and former clients where AON derived contingent commissions for policy placements during the period of 2001 to 2004. The total amount AON is returning to New Hampshire residents is \$476,518.00.

Thank you to all Department employees who have participated in obtaining these refunds for New Hampshire insurance consumers.



CONSUMER DIVISION GETS EXCELLENT REVIEWS

The Consumer Services Division is proud to announce that it's latest customer satisfaction survey resulted in a nearly 100% positive response from consumers. Periodically, consumers filing formal complaints are selected at random to receive the survey -- a questionnaire format, return postage prepaid. The survey asks consumers to comment on the timeliness of return calls, the courteousness and friendliness of Department staff, the clarity of written and verbal communications provided by Department staff, whether questions were answered and if the consumer was happy overall with the services provided. Of the 55 responses received only one expressed dissatisfaction with their experience. Congratulations to the Consumer Services Division staff for a job well done.



MARKET CONDUCT EXAMS UNDERWAY

Currently, the Department has market conduct examinations in progress at the following insurance companies:

- Aetna Life Insurance Company
- Anthem Health Plans of New Hampshire, Inc.
- Bristol West Insurance Company
- Cigna HealthCare of New Hampshire, Inc.
- Hanover Insurance Company
- Metropolitan Life Insurance Company
- Metropolitan Property & Casualty Insurance Company
- National Council on Compensation Insurance (NCCI)
- National Grange Mutual Insurance Company(s)

NHID PARTNERSHIPS & AFFILIATIONS

In addition to statutory and consumer service responsibilities, members of the Department are also active participants or affiliates of the following:

Board Member:

CAIP (Commercial Automobile Insurance Plan)
 SERFF (System for Electronic Rate and Form Filing)
 State Employee Charitable Campaign
 NHARF (PL Auto Facility)
 Community Services Council of NH



Member of:

ABC Continuing Education Council
 Adjuster Continuing Education Council
 HICEAS (Health Insurance Counseling Education Assistance Service Training
 Seminar for Volunteers on Medicare Supplement Insurance)
 AARP (Medicare Prescription Drug Discount Card Transitional Assistance Work
 Group)
 NH Medicare Beneficiaries Working Group
 Council for Children & Adolescents with Chronic Health Conditions
 NH Interagency Coordinating Council
 NH Insurance Guaranty Association
 NH Life & Health Insurance Guaranty Association
 NH Healthy Kids
 Anthem Advisory Board
 NH Vaccine Association
 NH High Risk Association
 Governor's Task Force on Credentialing
 Consumer Law Project for Seniors – Advisory Committee
 NH Jumpstart Coalition for Personal Financial Literacy
 NH Individual Health Plan Benefit Association
 WC Advisory Board
 WC Classification & Rating Appeals Board
 NH WC Ins. Plan Board
 Certified Loss Management Panel
 Committee on Medical Errors and their Causes Legislature Commission Resulting from HB287

Professional Member of :

AICP (Association of Insurance Compliance Professionals)
 SILA (Society of Insurance Licensing Administrators)
 NEAIFI (New England Association of Insurance Fraud Investigators)
 IASIU (International Association of Special Investigative Units)
 ACFE (Association of Certified Fraud Examiners)
 NH-ACFE (Association of Certified Fraud Examiners – Granite State Chapter)
 SOFE (Society of Financial Examiners)
 NICB (NH Anti-fraud Working Group)
 SOA (Society of Actuaries)
 American Academy of Actuaries

Professional Member of :

NH Technology Council
 CIE (Certified Insurance Conduct)
 IRES (Insurance Regulatory Examiner's Society)
 AIE (Accredited Insurance Examiner)

SMALL GROUP MARKET HEALTH INSURANCE RATING REFORMS UNDER SENATE BILL 125

As of January 1, 2006 small employer group market insurance rating laws are again set to change. In response to high premium increases affecting some groups under SB 110 (2003 Chapter 188), the General Court recently passed SB 125 (2005 Chapter 225). This bill makes several significant changes to the laws governing how health insurance is rated.

First, SB 125 sets a new composite band of 3.5 to 1. The composite band limits the price differential charged to small employer groups for the same coverage to a maximum of 350%. Under SB 110 small employer groups experienced maximum price differentials up to 1250%.

Second, as of January 1, 2006 carriers will no longer be able to consider health status or geographic location when devel-

oping premium rates. SB 125 only allows rate adjustments based on age, group size and industry. In recognition of the significant adjustments to rating methodology, SB 125 allows carriers to charge a one-year transitional amount of 20% on premium rates, excluding increases resulting from trend or changes in benefits.

SB 125 also establishes a small group market reinsurance mechanism to be governed and administered by a board of directors representing small employer group carriers and other carriers in the health market. During its first year of operation, carriers will only be allowed to cede high-risk individuals or groups upon renewal. Thereafter, carriers will only be allowed to cede new issues, or groups of 1-5 upon every third year renewal.

Funding for the reinsurance mechanism will come from premiums paid by small employer group carriers ceding high-risk individuals or groups to the mechanism. Additionally, any losses incurred by the reinsurance mechanism exceeding the premiums received will be paid through an assessment. The assessment will be calculated on a per member/per month basis against all lives in all health insurance markets, or approximately 650,000 lives.

In general, groups that experienced rate reductions or small increases under SB 110 can expect to pay more under SB 125. Groups that experienced large rate increases can expect small or moderate rate increases under SB 125. The changes to the rating laws are unlikely to reduce or slow the overall increase in the cost of health insurance.

JOINT VENTURE ANNOUNCED

State Based Systems (SBS) is an electronic system specifically designed and developed for the states by the National Association of Insurance Commissioners (NAIC). The system uses web technology to support the back office regulatory functions of the states. The SBS project equips the NHID with a long-term solution supporting our company and producer licensing, market conduct, consumer services, enforcement and revenue management activities. It provides a comprehensive web-based application affording more efficient and expeditious producer and company license processing, as well as enabling the NHID to more effectively respond to regulatory concerns and record consumer initiated inquiries and/or complaints while remaining compliant with national uniformity standards.

Currently, SBS is in production in four other jurisdictions, Delaware, District of Columbia, New Jersey and Rhode Island. New Hampshire will join these states as a consortium member of the SBS Licensee Group. The SBS Licensee Group oversees the design and implementation of SBS and is responsible for partnering with the NAIC to prioritize application enhancements, code fixes and the addition of new systems or modules. Each state pays an implementation fee plus an annual maintenance fee that is aggregated with the funds from the other states. Cont..

JOINT VENTURE ANNOUNCED CONT.

This joint effort serves to reduce the costs to each individual state involved because, without this consortium arrangement, each state would have to finance ongoing development of these necessary back office systems themselves. The consortium concept also promotes the benefits of sharing expertise across jurisdictional lines.

The Insurance Department is very excited about this new joint venture, and is looking forward to implementing a system with so many potential benefits for all our constituents.

RULEMAKING – SUMMER/FALL 2005

The New Hampshire Insurance Department currently has the following rulemaking in progress. For additional information refer to the NHID Website: www.state.nh.us/insurance

Ins 1901 Minimum Standards for Accident and Health Insurance

This rule applies to all individual and group accident and sickness insurance policies and certificates delivered in this state. Although the provisions of this rule expired in 1999 and 2003, the Department has continued to apply those provisions to all filings made by licensees and does so via the statutory authority provided in provisions relating to accident and sickness insurance throughout Title XXXVII. The provisions of this NAIC model rule are consistent with those of expired Ins 1901. A public hearing on Ins 1901 was held on April 26th. **Please note:** based on testimony at the public hearing, the Department is withdrawing this administrative rulemaking proceeding and intends to begin a new rulemaking proceeding with a new public hearing in the not too distant future. Watch for a hearing date on the Department's website.



Ins 1902 Minimum Standards for Medicare Supplement Policies Issued Prior to Adoption of Ins 1905

This rule establishes minimum standards for Medicare Supplement insurance policies that were issued prior to July 1, 1992. This rule expired in 1999. The Department has initiated new rulemaking proceedings. Watch for a hearing date on the Department's website.

Ins 1903 Medicare Supplement Insurance

This rule regulates Medicare Supplement insurance policies that were issued prior to July 1, 1992. This rule expired in 1999. The Department has initiated new rulemaking proceedings. Watch for a hearing date on the Department's website.

Ins 1904 Group Coordination of Benefits

Although this rule expired in 1999, the Department has continued to apply its provisions via the statutory authority provided in provisions relating to group coordination of benefits throughout Title XXXVII. This rule applies to all group or blanket insurance plans and establishes a uniform order of benefit determination under which plans pay claims. The provisions of this NAIC model rule are consistent with those of expired Ins 1904. JLCAR meets on this rule on July 21st.

Ins 1905 Minimum Standards for Medicare Supplement Policies

This rule implements federal provisions regulating Medicare Supplement policies and updates existing Ins 1905 in response to the federal passage of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. This rule was adopted by the Department on May 26, 2005 and becomes effective on September 8, 2005.

Ins 2400 Actuarial Opinion and Memorandum

Ins 2400 applies to all life insurance companies and fraternal benefit societies licensed in this state. It establishes the requirements for statements of actuarial opinion and memorandum regarding reserves that are required to be submitted pursuant to RSA 410. This rule is scheduled to expire November 24th, and the Department has initiated rulemaking proceedings. Watch for a hearing date on the Department's website.

SPEAKING OF INSURANCE !

Engagements to catch.....

July 26th the NHAHU hosts Commissioner Sevigny and Health Policy Analyst Leslie Ludtke to talk about changes to the small group health insurance market resulting from the passage of SB 125.

July 27th through the 29th, Commissioner Sevigny will attend an NAIC Executive Committee Retreat in Chicago.

September 8th the NCCI State Advisory Forum will be held at the Grappone Center from 8:30 a.m. to noon. The goal of the forum is to ensure that all workers' compensation participants understand loss costs and rating methodologies.

September 10 – 13, 2005 the NAIC holds its Fall meeting in New Orleans.

September 15th, Maureen Hartsmith, Life, Accident and Health Compliance Administrator will be speaking and on a panel at the Boston meeting of the Life and Health Compliance Association, LHCA, at the Omni Parker House.

September 20th, Commissioner will attend a local CPCU Breakfast and address the group on matters pending at the Department.



Engagements you may have missed.....

On May 2nd Commissioner Sevigny spoke to CEO's at a Health Insurance Roundtable at the Crown Plaza Hotel in Nashua sponsored by the NH High Technology Council.

On May 4th to May 6th, Commissioner Sevigny attended the NAIC Northeast Zone Meeting in Portland, Maine with Commissioners and staff from various northeast states.

May 4th at CR Sparks in Bedford, and May 18th at The Mountain View Grande in Whitefield, Market Conduct Examiner Joellen Atwater participated on a panel termed "Healthy, Wealthy and Wise" hosted by the U.S. Department of Labor - Employee Benefits Security Administration, Women's Bureau; and the U.S. Department of Health and Human Services Office of Women's Health.

May 11th, members of the Department's Consumer Division manned a table at a Resources Festival for Seniors, Caregivers and Families at the William B. Cashin Activity Center in Manchester.

May 13th, Commissioner Sevigny was the featured speaker at the New England Chapter of Association of Insurance Compliance Professionals Annual Education Day in Hartford, Connecticut. The Commissioner was joined by David Withers, Property & Casualty Actuary and Kent Dover, Director of Market Conduct Examinations who participated in panel discussions on topics such as broker compensation, market conduct, SMART ACT, and identity theft.

On May 18th the Commissioner attended the PIA Annual Meeting at the Marriott Courtyard in Concord. One of the topics that the Commissioner addressed was broker compensation.

May 24th & May 25th, the NAIC hosted an Electronic-Regulation Program in Kansas City. Commissioner Sevigny was the keynote speaker on May 24th, speaking on e-commerce in regulatory fields; and Kent Dover, Director of Market Conduct Examinations addressed the conference on May 25th on the topic of "Using Market Analysis Company Listings".

June 11th to June 14th, Commissioner Sevigny and staff from the Department attended the Summer meeting of the NAIC in Boston, Massachusetts.

2005 LEGISLATIVE REVIEW

The Department requested introduction of SB 72 Public Adjuster Licensing, SB 73 Market Conduct Record Retention and Production, SB 74 Technical Changes, and SB 197 Captive Insurance Companies; provided technical assistance and expertise on numerous other legislative initiatives including SB 6, SB 118, SB 125, HB 611 on Small Group Health Insurance, HB 678 Reduction in the Premium Tax; and became the focus of another, HB 195, Study of the Insurance Department.

SB 72 – Public Adjuster Licensing: This initiative, based on a new NAIC model, establishes uniform standards for licensing and conduct of public adjusters. The bill was intended to enhance the already existing provisions of RSA 402-D. Although recommended Ought to Pass with Amendment by a subcommittee of the House Executive Department and Administration Committee, the bill was ultimately retained.

SB 73 – Market Conduct Record Retention and Production: NAIC model establishing a procedure for record retention and production of documents by insurers undergoing market conduct examinations. SB 73 is now 2005 Chapter 221, effective September 3, 2005.

SB 74 – Technical Changes: The Department's omnibus bill establishes a new electronic cash transfer schedule for remittance of the premium tax, rewrites existing provisions regulating premium refunds, provides for grievance appeal review consistent with NCQA, enables single mandatory levels of appeal and authorizes access to property and casualty insurer information or data relevant to monitoring and maintaining a competitive market. SB 74 is now 2005 Chapter 248, effective September 12, 2005.

SB 197 – Captive Insurance Companies: This enabling legislation was intended to allow New Hampshire to license captive insurance companies and provide a possible new source of premium tax revenue. Shortly after introduction of the bill, the Department of Revenue Administration advised that the tax structure contained in the bill might have an adverse impact on New Hampshire's unitary tax system. The Senate Banks and Insurance Committee retained the bill for further work.



SB 6, SB 118, SB 125, HB 611 – Health Insurance Initiatives: While the Department took no position on these bills, it made personnel and resources available and provided significant amounts of information and statistical data to all House and Senate members working on these initiatives. (Further discussion of the projected impact and effects of SB 125 are discussed in a separate article)

HB 678 – Premium Tax Reduction: In an effort to spur economic growth and development and attract domestic insurers to the State, industry introduced this legislation to reduce the premium tax from 2% to 1%. An industry paid independent study commissioned by the Department anticipates economic stabilization and gain realized through enhanced employment opportunities and taxes associated with the acquisition of property and consumption of consumer services. The House Commerce Committee believes that this legislation has merit and it retained the bill to explore all avenues associated therewith.

HB 195 – Establishing a Committee to Study the Insurance Department and Awarding of the Bids for Health Insurance for State Employees: The study of the Department was introduced and the bill was later amended to include a study of the bid award. Over the last ten years, and more recently during the Legislature's 2003 debates, this Department, as well as others, spent significant amounts of time and resources providing information to studies devoted to government efficiency and reorganization. This study, as with any study by the Legislature, while time consuming and costly, is welcomed if it provides a clearer understanding of the Department's functions, operations and consumer protection initiatives. HB 195 is now 2005 Chapter 103.

ENFORCEMENT— PRODUCER AND COMPANY

Re: Even, Perry

Consent Order and Agreement
Docket No. INS NO. 05-008-EP
Failure to report an administrative
action taken by another jurisdiction
within 15 days of the final deposition.

Order and Agreement:

May 4, 2005

Action and Penalty: \$600.00

Re: Lubrano, Salvatore R

Consent Order and Agreement
Docket No. INS NO. 05-012-EP
Failure to report an administrative
action taken by another jurisdiction
within 15 days of the final deposition.

Order and Agreement:

April 11, 2005

Action: Producer voluntarily
surrendered NH license.

Re: Tenhave, Bert

Consent Order and Agreement
Docket No. INS NO. 05-002-EP
Failure to remit premiums to insurer, misappropriation of premium
and demonstrated lack of fitness or
trustworthiness.

Cease and Desist Agreement:

March 23, 2005

Action and Penalty: Cease and
desist from violations, NH license
suspended and \$2500 fine.

Re: Energy Insurance and Bond

Consent Order and Agreement
INS NO 05-009-EP
Failure to report an administrative
action taken by another jurisdiction
within 15 days of the final disposition.

Order and Agreement:

April 28, 2005

Action and Penalty: \$500.00

Re: NH Insurance Company

Consent Order and Agreement
INS NO 05-036-MC
Failed follow-up, target Market
Conduct exam.

Order and Agreement:

April 29, 2005

Action and Penalty: \$100,000.00

Re: XL Specialty Insurance Company

Consent Order and Agreement
INS NO 05-010-EP

No certificate of authority, unauthorized insurance business

Consent Order and Agreement:

April 20, 2005

Action and Penalty: \$10,000.00



NHID STAFF NEWS

Carol Beaudoin, Licensing Supervisor, is retiring after 45-years of service at the Department. Carol's last day is July 29th.

Anusuya Luckoor was recently promoted to the position of Business Administrator.

Jack Zemp, Legal Counsel, found greener pastures at Rath, Young & Pignatelli.



2005 COMPANY INFORMATION

The following is a compendium of company changes.

COMPANY NAME CHANGES:

<u>OLD NAME</u>	<u>NEW NAME</u>	<u>EFFECTIVE DATE</u>
CDC IXIS Financial Guaranty North America	CIFG Assurance North America, Inc.	02/23/05
UBS Paine Webber Life Insurance Company	UBS Life Insurance Company USA	02/02/05
American Pioneer Title Insurance Company	Ticor Title Ins. Company of Florida	10/05/04

NEWLY LICENSED COMPANIES:

<u>COMPANY NAME</u>	<u>TYPE OF LICENSE</u>	<u>EFFECTIVE DATE</u>
Colonial Surety Company	Property & Casualty	05/02/05
Dealers Assurance Company	Property & Casualty	04/25/05
Excess Share Insurance Company	Property & Casualty	05/31/05

AMENDED LICENSES:

<u>COMPANY NAME</u>	<u>LINE OF BUSINESS ADDED</u>	<u>EFFECTIVE DATE</u>
International Business & Mercantile Reassurance Co.	Restriction of servicing existing business removed.	04/28/05
Dentegra Insurance Company of New England	Accident & Health- Restriction of servicing existing business removed.	04/01/05
RSUI Indemnity Company	Removed Paragraph IV Accident & Health, Paragraph VII Fidelity & Surety and the exclusion of authority for (i) workers compensation and employer's liability (ii) motor vehicle and aircraft damage	05/12/05

COMPANY MERGERS:

<u>OLD NAME</u>	<u>WITH AND INTO</u>	<u>EFFECTIVE DATE</u>
American and Foreign Insurance Co.	Royal Indemnity Company	12/31/04
Globe Indemnity Company	Royal Indemnity Company	12/31/04
Royal Insurance Company of America	Royal Indemnity Company	12/31/04
Fire and Casualty Insurance Co of CT	Security Insurance Co of Hartford	12/31/04
American Protection Insurance Co	American Motorist Insurance Co.	12/31/04
Specialty National Insurance Company	American Motorist Insurance Co.	12/31/04



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